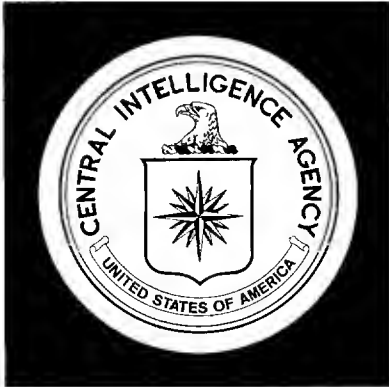


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*No. 41*

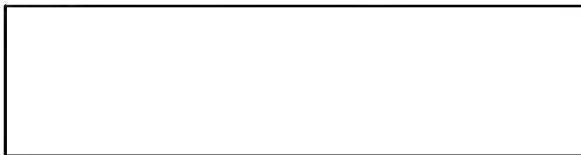
23 March 1973

State Department review completed



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No. 0071/73  
23 March 1973

# *Central Intelligence Bulletin*

## CONTENTS

LAOS: The two sides postpone formation of new coalition government. (Page 1)

PANAMA: Torrijos cocky but concerned after UN meeting. (Page 2)

USSR-US: Moscow publicizes easing of emigration policy. (Page 4)

TURKEY: Amendment to extend President's term receives setback in parliament. (Page 5)

INTERNATIONAL OIL: Oil exporting countries demand higher prices. (Page 6)

PERU-US: New oil company investment dispute. (Page 7)

YUGOSLAVIA: Trade union demands pose serious problems for economic stabilization program. (Page 8)

USSR-ITALY: New squabbling between Communist parties. (Page 9)

YEMEN (ADEN) - SAUDI ARABIA: Adeni air raid against Saudi border post. (Page 10)

SURINAM: Early elections may be called to end strike impasse. (Page 11)

CHINA: Winter grain crop prospects (Page 12)

JORDAN: Grants and loans improve financial outlook (Page 12)

~~SECRET~~

SECRET

LAOS: The two sides have postponed the formation of a new coalition government beyond the deadline of 23 March set by last month's peace agreement.

The senior Communist negotiators left Vientiane yesterday for new strategy sessions at their headquarters near Sam Neua. The absence of chief Pathet Lao negotiator Phoumi Vongvichit has been the major obstacle to progress. Other Communist envoys have not been empowered to undertake discussions on the composition of a new government.

Despite the elapsed deadline, the agreement signed last month remains in effect, and there is no sign that either side is preparing to resume combat. A government press release indicates that negotiations will resume next week and holds out the possibility that agreement on a new government could quickly follow.

One effect of the delay is to set back the timetable for the withdrawal of foreign troops and the release of prisoners. Under terms of the peace agreement, both are to be completed within 60 days of the formation of a new coalition government.



23 Mar 73

*Central Intelligence Bulletin*

1

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SECRET

PANAMA: General Torrijos is publicly touting the international backing Panama received during the UN Security Council meeting, but he probably is concerned and uncertain about how much damage has been done to his relations with Washington.

Over the next few days he will move cautiously as he tries to sound out the US and plots his next move. He gave himself some breathing space yesterday when he announced at a press conference that because the US vetoed the Panamanian resolution he would hold "consultations with the people" before deciding his next move. This probably means that he will talk with members of the rubber-stamp national legislature, a process which will take time and also give him an opportunity to stir up the apathetic populace.

While this is going on Torrijos will continue his strategy of keeping pressure on the US. Anti-US demonstrations and rallies, carefully orchestrated by the government, may be in the offing and the government-directed media will resume its attacks on Washington. Efforts to get more international backing will also be stepped up.

The broad support that Panama received from Communist and "Third World" delegations during the Council meeting has strengthened the faction within the government which favors a shift toward a non-aligned international posture. Initial steps in this direction have already been taken with the establishment of relations with Algeria, Libya, Bulgaria, Guyana, and Guinea.

Formal ties with Cuba, the Soviet Union, China, and East Germany are under consideration. Final decisions are likely to be delayed until after a full evaluation of the impact of the Council meeting and a re-examination of the bidding in the canal talks.

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23 Mar 73

Central Intelligence Bulletin

2

SECRET

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Further pressure may also be expected at the OAS meeting next month and at the UN General Assembly in the fall. Foreign Ministry officials have been checking with the World Court, and Panama might try a legal assault on the 1903 treaty in that body.

The Security Council meeting did not achieve the US or Panamanian domestic reaction Torrijos had expected. Nevertheless, he probably will use what international backing Panama received to convince himself that support for his cause is building and that similar tactics can generate still more.

25X1

23 Mar 73

*Central Intelligence Bulletin*

3

SECRET

SECRET

USSR-US: Moscow is publicizing the more liberal application of its emigration policy in an attempt to appease congressional critics.

Over the past few days, the Soviets have allowed as many as 150 Jews from the Moscow area to emigrate to Israel without having to pay the education tax. These individuals had received prior permission to leave the USSR, but had not been able to pay the tax. [REDACTED]

[REDACTED] the Soviets are extending the policy to other areas of the country as well. Simultaneously, Moscow has planted stories in the Western press and has taken other actions to show that it has bowed to pressures, mainly from the US, to relax its policy.

A Soviet Foreign Ministry official acknowledged yesterday that a recent story attributed to the Soviet journalist-agent, Viktor Louis, reflects the "real situation." Louis said that the USSR will no longer enforce the education tax and that the Soviet move is in response to pressures from the US Congress. At about the same time, Western newsmen in Moscow were invited to watch Soviet authorities grant exit permits, and the Soviets even offered film clips of the event to some of the newsmen involved.

The shift in Soviet tactics indicated by these recent actions is probably in response to statements of US concern made by Secretary Shultz in Moscow last week. By leaving the law on the books, however, the Soviets probably feel they have saved some face and have kept open the possibility of returning to restrictive practices. The Soviets doubtless realize that their behavior will be carefully monitored. For the short term, at least, they will be likely to apply the more liberal approach with the belief that obstacles in the US Congress will diminish. Moscow probably believes this objective can be attained without formally rescinding the law. [REDACTED]

23 Mar 73

Central Intelligence Bulletin

4

SECRET

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TURKEY: The proposed constitutional amendment to extend the term of incumbent President Cevdet Sunay for two years ran into serious, and perhaps fatal, trouble in parliament yesterday.

A motion to debate the amendment failed by one vote to secure the two-thirds majority required for constitutional changes. More than 50 legislators failed to vote. The attempt to extend Sunay's term beyond its expiration on 28 March had the support of the Justice Party and the Republican Peoples Party, but was opposed by smaller parties.

Since the motion failed Thursday evening, it is not clear what steps will be taken to resolve the impasse over the presidency that has dragged on for ten days. A joint session of parliament has been called for today, and it is possible that balloting on presidential candidates will be resumed or that some kind of parliamentary legerdemain could yet be used to revive the effort to permit Sunay to serve until 1975. The patience of the generals, however, is undoubtedly wearing thin in the face of parliament's inability to select a president acceptable to the military.

25X1

23 Mar 73

*Central Intelligence Bulletin*

5

SECRET



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INTERNATIONAL OIL: The Organization of Petroleum Exporting Countries (OPEC) has demanded increased compensation from the Western oil companies for the recent US dollar devaluation.

The agreements concluded last year between the oil companies and the Persian Gulf members of OPEC, Libya, and Nigeria include a provision to compensate oil-producing governments for future devaluations. As a result of the recent US dollar devaluation of ten percent, they will receive on 1 April increases of only six percent in per barrel revenues. The countries apparently are trying to obtain increases equal to the full compensation for the dollar devaluation.

OPEC has appointed representatives from Iraq, Kuwait, and Libya who will negotiate with the Western oil companies on price changes, probably beginning on 12 April. The companies contend that the OPEC countries' purchasing power has not been reduced by a full ten percent because a substantial part of their imports are from the US and other countries whose currencies have not been revalued. The OPEC countries, however, are in a powerful bargaining position because the companies have no alternative sources of oil and OPEC members are therefore likely to obtain price increases. An additional four-percent increase in OPEC's per barrel revenues will result in a very small increase in retail prices of refined products in those countries which devalued. [REDACTED]

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23 Mar 73

Central Intelligence Bulletin

6

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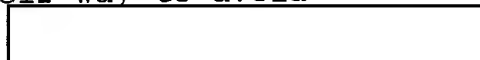
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PERU-US: A major new investment dispute could be set off by the sale on 21 March of the Conchan Oil Company's seized assets.

The assets had been seized after Conchan, a refining and marketing affiliate of Standard Oil of California, refused to pay a \$3.5-million judgment for back stamp taxes handed down by the Peruvian Finance Court last May. In an apparent attempt to avoid US charges of expropriation without compensation, the government provided for a token payment to the company by evaluating its worth at \$3.6 million. The assets were sold at auction but, with petroleum refining a state monopoly, the government-owned oil company was the only bidder.

Conchan valued itself at \$10-12 million; but because it had become a money-losing operation it probably would have accepted without protest a liquidation arrangement that at least paid off the tax judgment, its \$2.25-million debt, and any claims by employees. The price it actually receives probably will be enough to pay off the tax claim, but the company stands to receive no more than \$100,000 to apply against its other liabilities.

Peruvian officials have accused the US of applying "non-overt" sanctions to gain a settlement of the IPC problem, a much larger investment dispute. In this context, they probably see little reason to go out of their way to avoid another dispute with the US.



25X1

23 Mar 73

Central Intelligence Bulletin

7

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YUGOSLAVIA: Trade union demands that the current wage freeze end by mid-year pose serious problems for the government's economic stabilization program.

The presidium of the Federation of Trade Unions this week issued a resolution complaining that workers are carrying too big a load in Belgrade's belt-tightening drive. Union leaders claim that the wage freeze, compulsory loans, and increased taxes will reduce the workers' standard of living to below last year's level. Continuing price rises--21 percent over-all since February 1972, and nine percent for agricultural products in the first two months of this year--further aggravated the situation and forced a price freeze in February.

The Federal Executive Council now faces a tough decision. If the wage freeze is lifted, more inflationary pressures could result. If the trade union demand is ignored or rejected, the regime risks massive popular dissatisfaction. Belgrade may temporize in hopes that the price freeze will take hold and ease union pressures. [REDACTED]

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23 Mar 73

Central Intelligence Bulletin

8

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USSR-ITALY: The meeting in Moscow last week between Italian Communist Party chief Berlinguer and Soviet leaders has led to new squabbling between the parties.

Berlinguer's eight-man delegation conferred for two days with a Soviet group headed by party chief Brezhnev. The resulting communiqué reflects the divergent views of the two parties. It took a swipe at "projects aimed at turning Western Europe into a military-political bloc," but did not explicitly mention the European Community. Moscow was able to gain references to "the harmfulness of all forms of anti-Sovietism" and to the unity of the Communist movement. On the other hand, the Italians won inclusion of references to the right of each party to determine its own path and to the principle of non-interference.

One of the main areas of contention probably was Italian support for a West European Communist grouping and for closer ties with the Social Democratic Party in West Germany and the British Labor Party. The Soviets do not look with favor on either prospect, which might strengthen further the Italian party's independence of Moscow and encourage other West European parties to follow the Italian example.

The dispute on these issues was carried into the open after Berlinguer returned to Rome. The Italian Communist press highlighted Berlinguer's statement condemning the Pravda editorial on his visit. Berlinguer complained that Pravda emphasized the unity references in the communiqué but failed to mention the section on the right of each party to autonomy in determining its path. Soviet media reacted quickly and sharply with an article calling Western coverage of the communiqué "ridiculous."

25X1

23 Mar 73

Central Intelligence Bulletin

9

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YEMEN (ADEN) - SAUDI ARABIA: A surprise air raid by Aden on a Saudi border post yesterday could be the prelude to further hostilities, although of a limited nature.

Two Adeni MIG-17s, according to a Saudi Arabian Government announcement, attacked a Saudi post at Wudayah, approximately 20 miles north of the border. Saudi Arabia claims that its antiaircraft fire drove off the planes, but the defenders admit to "some" injuries.

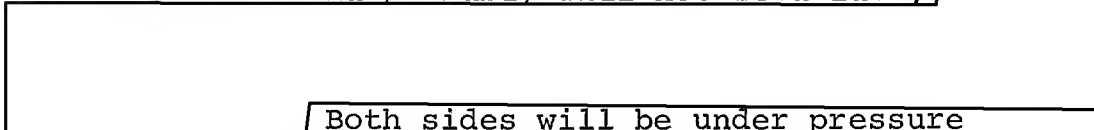
This is the first direct Adeni-Saudi confrontation since late 1969, when the Saudis repulsed an Adeni ground attack, also directed against Wudayah.



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Saudi Arabia probably will not retaliate,

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Both sides will be under pressure from other Arab states to avoid larger scale hostilities, but there will be a period of heightened tensions.

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23 Mar 73

Central Intelligence Bulletin

10

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SURINAM: Government leaders apparently are becoming convinced that only early elections can end the nine-week impasse with striking government workers. ] /

The immediate cause of the strike and subsequent unrest was dissatisfaction with the virtual salary freeze since 1970 despite a continuing rise in the cost of living. The government maintains that it has no money for salary increases and that other union demands, such as participation in formulating economic and social policy, are politically unacceptable. Prime Minister Sedney and other leaders of his coalition apparently now believe the only way out is to call for elections--which normally would not be held until October--to determine if the government still has a popular mandate. ] 2 ] /

If the government calls for early elections, striking unions would return to work and wait to submit their demands to the newly elected government. This would solve the immediate crisis, but politics in Surinam are drawn along racial lines, and the potential for racial violence is always present. The political tensions that ordinarily accompany elections could lead to clashes between the growing East Indian population and the blacks who have long dominated the government. ] / ] 2

25X1

23 Mar 73

Central Intelligence Bulletin

11

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CHINA: Recent press reports that China's winter grain crop is in serious trouble because of poor weather are premature. Prospects for these crops, which normally account for about one fifth of China's total output of grain, are generally favorable. As customary in China following a poor harvest, winter grain acreage was increased substantially last year. Weather conditions since then generally have been better than normal. There are reports from Shantung and Anhwei provinces of too little or too much rainfall in recent weeks, but moisture conditions in most other major areas have been good. A successful harvest, however, is still dependent on weather conditions that are unstable in the spring and on only limited loss to pestilence over the rest of the growing season. [REDACTED]

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JORDAN: The financial outlook has improved considerably with the recent receipt of a Saudi Arabian grant of about \$22 million and new UK loan commitments of \$25 million for economic development. The Saudi grant had been anticipated by the Jordanians in planning their 1973 budget, although there was no guarantee that the amount would be forthcoming. It will relieve budget pressures resulting from limited cash inflows early in the year. Only \$10 million of the promised US budget support of \$55 million will be made available to Jordan in the first half of 1973. Moreover, Saudi Arabia had already advanced to Jordan the Khartoum aid payments of about \$21 million for the first half of the year. The UK commitment of \$25 million for unspecified projects in Jordan's three-year development plan is in addition to an existing \$5-million program for capital and technical assistance. [REDACTED]

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23 Mar 73

Central Intelligence Bulletin

12

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